



The Illinois Biodiesel Sales Tax Incentive

*Tools and Incentives for Green Diesel Technology:
Lower Emissions, Higher Profits
September 6-7, 2006*

Overview

- Background and Passage
- How the Incentive Works
- Lessons Learned
- Other Incentives for Biodiesel
- Implementation
 - Opportunities
 - Challenges
- Next Steps



Pre-2003 in Illinois

- Ethanol Tax Incentive
 - Sales tax credit for fuel retailers
 - 30% reduction for 10% blend
 - Exemption above 10%
 - Established in 1984; sunset in 2003

2001-2003

- Biodiesel received favorable results from US EPA health effects study
- Dramatic reductions in particulate matter, CO₂ and sulphur
- ASTM specification balloting process began
- B20 defined as alternative fuel by US DOE (2002 EPAct legislation)

2003 Activities

- Negotiations with Renewable Fuels Assn. And Illinois Corn Growers Assn.
- Softening of support for ethanol tax credit
- Exchange 10% of tax credit to pay for ethanol asks as well as inclusion of biodiesel



2003 Activities - Challenges

- Bureaucratic problems
- Different product than ethanol
- Petroleum producer opposition
- Ultimately, bill passed with support of labor (new construction of ethanol/biodiesel plants)

PA 93-0017 Signed 6/11/03





How It Works at $\leq 10\%$

Diesel		Biodiesel (B2)	
\$2.300		Ret. Cost f/Diesel	2.254
		Biodiesel (\$2.80)	.056
.244		Federal Tax	.244
2.544		Subtotal	2.554
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.158	6.25%	IL Sales Tx	5% .127
.220		IL Motor Fuels Tx	.220
\$2.918		Total	\$2.901



How It Works $\geq 11\%$

Diesel

\$2.300

.244

2.544

.158

.220

\$2.9187

Biodiesel (B11)

Ret. Cost for Diesel

Biodiesel (\$2.80)

Federal Tax

Subtotal

IL Sales Tx

IL Motor Fuels Tx

Total

\$2.047

.308

.244

2.599

.000

.220

\$2.815



Lessons Learned

- Look for existing incentives
- Think of non-traditional partners
- Renewable energy is the buzz...carpe diem!



Other Incentives

- IL DCEO Renewable Fuels Development Program
- IL EPA Alternative Fuels Rebate Program
- IL EPA Green School Bus Program
- Commodity Credit Corporation Small Producer Credit
- IRS Biodiesel Blender Credit

Implementation

- Challenges
 - Infrastructure
 - Building production capacity
 - Quality of fuel
 - Naysayers
 - Improving fuel properties
 - Feedstock sourcing
 - ULSD

Implementation

- Opportunities
 - Illinois a transportation hub
 - Ethanol has paved the way
 - Need for energy security widely acknowledged
 - Positive energy balance
 - Safe and easy to implement
 - Replaces lubricity in ULSD



Next Steps in Illinois

- Expanding production
- Ensuring consistent quality
- OEM acceptance at higher blends
- Research for higher oil soybeans and other feedstock sources



Thank You!

- Sources of Information
 - www.ilsoy.org (Illinois Soybean Association)
 - www.biodiesel.org (National Biodiesel Board)
 - www.illinoisgreenfleets.org (Illinois EPA)
 - 1866-BIODIESEL for retail sites that sell biodiesel